



# MARYLAND

## BUSINESS RESOURCES

### Financing & Incentives

MARYLAND OF OPPORTUNITY.®

Department of Business & Economic Development

## Maryland Department of Business & Economic Development Financing & Incentive Resources

The Maryland Department of Business & Economic Development (DBED) Office of Finance Programs provides the business community financing and incentive-based solutions for economic development projects to maximize job creation and retention, leverage capital investment and encourage growth in targeted business sectors and specific geographic areas throughout the state. To remain competitive in the marketplace, DBED responds quickly to changing requirements with the development of incentives that address the identifiable needs of the business community.

### Financial Incentives Provide:

- Entrepreneurs with access to capital markets
- Funding of economic development efforts for local jurisdictions
- Impetus to encourage capital investments and job creation
- Employment opportunities by attracting, creating, expanding and retaining businesses

## SMALL BUSINESS ASSISTANCE

### Maryland Small Business Development Financing Authority

Promotes the viability and expansion of businesses owned by economically and socially disadvantaged entrepreneurs. MSBDFA assists small businesses unable to obtain adequate business financing on reasonable terms through normal financing channels. Meridian Management Group, a private contractor, manages the program's four components and DBED provides financing for the approved small businesses.

- **Contract Financing Program** – Provides loan guarantees and direct working capital and equipment loans to socially or economically disadvantaged businesses awarded contracts mainly funded by government agencies and/or public utilities.
- **Equity Participation Investment Program** – Provides direct loans, equity investments, and loan guarantees to small businesses.
- **Long-Term Guaranty Program** – Provides loan guarantees and interest rate subsidies.
- **Surety Bonding Program** – Assists small businesses in obtaining bonding primarily for government or public utilities contracts that require bid, performance, and payment bonds.

### BRICK HOUSE, LLC

1st VLT Loan Recipient



The Brick House, Annapolis' only LEGO Learning Center, provides fun and engaging STEM classes for children 2 to 18, and is the first beneficiary of Anne Arundel Economic Development Corporation's (AAEDC) video lottery terminal (VLT) revenue loan fund. AAEDC, as a manager of the VLT fund, is responsible for the investment of \$3.36 million in small businesses.

## Small, Minority and Women-Owned Business Account – Video Lottery Terminal Fund

1.5% of the proceeds from video lottery terminals (slots) is provided to Eligible Fund Managers that oversee the distribution of the funds. At least 50% of their allocations will be deployed to small, minority, and women-owned businesses located within a 10-mile radius of Maryland casinos. The other 50% is available to small, minority, and women-owned businesses located throughout Maryland.

## State Small Business Credit Initiative

SSBCI is a component of the federal Small Business Jobs Act of 2010 that created \$1.5 billion in direct funding of state credit enhancement programs. Within the act, Maryland is allocated a total of \$23 million available in three installments subject to performance. These funds must target an average borrower size of 500 employees or less and loans averaging \$5 million.

## Military Personnel and Veteran-Owned Small Business No-Interest Loan Program

MPVSBLP provides no interest loans of up to \$50,000, from one to eight years, for businesses owned by military reservists, veterans, National Guard personnel and for small businesses that employ or are owned by such persons.

## Maryland Economic Adjustment Fund

MEAF assists small businesses with upgrading manufacturing operations, developing commercial applications for technology, or entering into and competing in new economic markets. Eligible businesses include manufacturers, wholesalers, service companies, and skilled trades. Funds can be used for working capital machinery and equipment, building renovations, real estate acquisitions and site improvements.

---

## Other Financing Resources

### ■ Community Development Block Grant

CDBG assists local governments in implementing commercial and industrial economic development projects. Approved program funds are disbursed to eligible local jurisdictions as conditional grants and used for public improvements for business startup or expansion, or for business loans. Projects must create jobs with the majority targeted to individuals of low to moderate income, or eliminate blight conditions that impede commercial and industrial development. Fund uses include acquiring fixed assets, infrastructure and feasibility studies.

### ■ BRAC Revitalization and Incentive Zone

The BRAC program is used to focus growth in areas already designated for growth and provide local governments with financial assistance for public infrastructure in these well-defined areas. The program also aligns other state resources and programs to local governments and businesses located in the BRAC zones for a coordinated state effort on making the zones the focus of BRAC growth. Funds must be used for infrastructure improvements. Each year, the amount to be paid to all local jurisdictions is the amount appropriated in the state budget up to \$5,000,000. If the total amount applied for exceeds the cap, each jurisdiction receives a pro rata share.

## VOLVO GROUP

Investing in Washington County



**Volvo Group, a producer of heavy-duty diesel engines, is investing \$30 million to expand the company's Hagerstown facility with plans to add as many as 140 new full-time jobs and retain 1,340 existing full-time jobs. To assist with project costs, DBED approved a \$4 million MEDAAF conditional loan based on job retention and creation and capital investment.**

## ECONOMIC DEVELOPMENT INCENTIVES

### Maryland Economic Development Assistance Authority and Fund

A flexible and broad-based program, MEDAAF funds grants, loans and investments to support economic development initiatives. Uses include business attraction and retention, infrastructure support, brownfield redevelopment, arts and entertainment districts, daycare, revolving loan funds and local strategic planning. Projects must be within Priority Funding Areas and eligible industry sectors. Awards are made on a competitive basis.

Five financing capabilities are offered through MEDAAF to assist the business community and local jurisdictions.

MEDAAF CAPABILITIES	SPECIFICS
Strategic Economic Development Opportunities	Assistance is available on a statewide or regional level and is provided to the business as a loan.
Local Economic Development Opportunity	Funding provided to businesses for extraordinary economic development opportunities. The local jurisdiction must sponsor the business and can participate in the form of a guarantee, direct loan or grant equal to at least 10% of the state's financial assistance.
Direct Assistance to Local Jurisdictions or MEDCO	The use of funds includes land acquisition, infrastructure improvements, acquisition of fixed assets, leasehold improvements, up to 70% of the cost of a feasibility study and up to 50% of the cost of preparing a local economic development strategic plan.
Regional or Local Revolving Loan Fund	Eligible applicants include county or regional development agencies. A jurisdiction may transfer all or part of its allocation to a regional revolving loan fund. The local government must provide matching grant funds to local revolving loan fund.
Special Purposes Programs	Targets specific funding initiatives deemed critical to the state. The program determines level and type of financial assistance. Special purpose programs include Brownfields, Arts & Entertainment, Child Care Centers, Seafood & Aquaculture and Animal Waste.

### Economic Development Opportunities Program Fund (Sunny Day)

The Sunny Day fund supports extraordinary economic development opportunities that create and retain employment as well as create significant capital investments. Projects must generate significant jobs in areas of high unemployment; they are evaluated on a competitive basis.



## CREDIT ENHANCEMENTS

### Maryland Industrial Development Financing Authority

MIDFA encourages private sector investments with insurance and the issuance of tax-exempt and taxable revenue bonds. Insurance reduces the lender's credit risk. All projects must be in a Priority Funding Area.

#### Credit Insurance

- **Bond Program:** Insures bonds up to 100% not to exceed \$7.5 million of taxable or tax-exempt bonds.
- **Conventional Program:** Insures up to 80% not to exceed \$2.5 million of a transaction made by a financial institution. Export transactions may be insured up to 90%.

#### Private Activity Revenue Bonds

- **Taxable Bond:** Provides access to long-term capital markets primarily for fixed asset financing.
- **Tax-Exempt Bond:** Provides access to long-term capital markets for fixed asset financing at tax-exempt rates. Eligibility is limited by Federal tax law to 501(c)(3) non-profit organizations, manufacturing facilities and certain solid waste projects. Additional limitations apply to the specific transaction type.

## EQUITY INVESTMENTS

### Maryland Venture Fund

The Maryland Venture Fund is a state-supported evergreen fund making high-impact direct investments in early stage companies and indirect investments in Maryland companies through limited partnerships with private venture capital funds. MVF invests in highly innovative technology companies across the full range of industry sectors including software, communications, cybersecurity, and life sciences companies in the areas of healthcare IT, medical devices and diagnostics.

### InvestMaryland

A primary resource for the Maryland Department of Business and Economic Development, MVF also assists in the active management and support of InvestMaryland. In 2011, the Maryland legislature passed InvestMaryland, a historic initiative that capitalized the Maryland Venture Fund with an additional \$84 million over three years in order to achieve the primary objective of fueling innovation and job creation in Maryland. This is the largest venture capital initiative in the state's history.

### M. LUIS CONSTRUCTION

#### Paving the Way



**Treasury Secretary Jacob J. Lew visits M. Luis Construction, a Maryland-based woman and minority-owned road construction company. M. Luis Construction benefitted from a \$2.5 million MIDFA loan guaranty, made possible by the State Small Business Credit Initiative (SSBCI), to expand operations and hire additional workers. Established in 1985, the company has been widely recognized for its high quality standards and superior customer service.**

## Key Maryland Business Financing Resources

TARGET AUDIENCE	PROGRAM NAME & SPONSOR	PRODUCTS
<b>Small and disadvantaged businesses</b> that do not meet the established credit criteria of financial institutions and consequently are unable to obtain adequate business financing on reasonable terms through normal financing channels.	<b>Maryland Small Business Development Financing Authority</b>	Loans Loan Guarantees Equity Investments Contract Financing Guarantees/Bonds
<b>Startups, existing businesses, and early stage technology companies</b> located within a ten-mile radius of three Maryland casinos.	<b>Small, Minority and Women-Owned Business Account – Video Lottery Terminal Fund</b>	Loans
<b>Businesses owned by military reservists, veterans and National Guard members called to active duty.</b>	<b>Military Personnel and Veteran-Owned Small Business No-Interest Loan Program</b>	No-Interest Loans
<b>Manufacturers, wholesalers, service companies and skilled trades.</b>	<b>Maryland Economic Adjustment Fund</b>	Loans
Local, regional or statewide businesses in eligible industry sectors locating or expanding in a <b>Priority Funding Area</b> .	<b>Maryland Economic Development Assistance Authority and Fund</b>	Loans Conditional Loans Grants Investments
<b>Financial institutions</b> lending to commercial and industrial businesses (with the exception of retail), manufacturers, not-for-profit entities and day care providers.	<b>Maryland Industrial Development Financing Authority</b>	Loan Guarantees Bonds
<b>Startups, seed and emerging high-technology businesses</b> , including information technology, cyber security and life sciences.	<b>Maryland Venture Fund</b>	Direct Investments Venture Capital Limited Partnership Investments

For more information on eligibility requirements, and terms and conditions for specific programs, please call your DBED Finance Representative at 877-821-0099.

## USES

Working capital, supplies and materials, machinery and equipment acquisition, land acquisition or real estate improvements. Purchase of an existing business, construction or renovation bid, performance and payment bonds for contracts, which receive the majority of their funding from federal, state or local government.

Business acquisition, commercial real estate acquisition, building improvements, equipment purchase, leasehold improvements, business startup costs and working capital.

Acquisition of equipment or for the payment of other necessary expenses, including general business expenses necessary to start or sustain a business.

Working capital, machinery and equipment, building renovations, real estate acquisitions and site improvements.

Land acquisition, infrastructure improvements, buildings, fixed assets, leasehold improvements, working capital, studies, strategic plans, revolving loan funds and special purposes.

Land acquisition, building acquisition, construction costs, machinery and equipment, furniture and fixtures, leasehold improvements, certain eligible "soft costs," energy-related projects and working capital.

MVF typically invests at the first round of institutional financing and works with emerging companies to move them into the next stage of development as a viable business.

## APPLES & ORANGES FRESH MARKET

### Making a Difference



**Apples & Oranges Fresh Market is a full-service grocery store committed to providing nutritious and delicious food options for the community of East Baltimore. Opened in March 2013, with the help of a \$150,000 Maryland Small Business Development loan, Apples & Oranges is making a difference to a once underserved community.**

## TAX INCENTIVES

### PATHSENSORS

#### Biotechnology Startup



Through its Biotechnology Commercialization and Translational Research Awards, the Maryland Biotechnology Center awarded \$200,000 to PathSensors, an environmental and food testing startup, to extend its biosensor product line to include the detection of bacteria that causes food-borne illness. PathSensors is also a recipient of \$200,000 through the InvestMaryland program.

#### Biotechnology Investment Incentive Tax Credit

The BITC provides income tax credits to investors in Qualified Maryland Biotechnology Companies (QMBCs). The value of the credit is equal to 50% of an eligible investment made in a QMBC during the taxable year. The maximum amount of the credit cannot exceed \$250,000 for investors. If the credit exceeds the tax liability, the remaining credit is refundable. The program has a cap and credits are awarded on a first-come, first-served basis.

#### Brownfields Revitalization Incentive Program

A site that qualifies for this incentive program may also qualify for real property tax credits. The site must be located in a jurisdiction that participates in the BRIP, and be owned by an inculpable person. For five years after cleanup, a site may qualify for a real property tax credit between 50% and 70% of the increased value of the site. (In an Enterprise Zone, the tax credit may last for up to 10 years). This credit, combined with other real property tax credits, may not exceed 100% of the tax on the increased value of the site.

#### Cellulosic Ethanol Technology Research & Development Tax Credit

CETRD provides an income tax credit for expenses related to cellulosic ethanol technology research and development conducted in the state. The amount of the tax credit is equal to 10% of the eligible expenses incurred by businesses during the taxable year. The credit to all businesses is limited to \$250,000 for each calendar year. If the amount that all businesses apply for exceeds this cap, the credit will be prorated. Businesses must submit an application to DBED by September 15 for expenses incurred in the previous tax year.

#### Cybersecurity Investment Incentive Tax Credit

CIITC provides a refundable income tax credit to Qualified Maryland Cybersecurity Companies (QMCCs) that secure investment for investors. QMCCs receive a credit equal to 33% of an eligible investment in the QMCC. Each investor in a single QMCC is limited to \$250,000 tax credit each fiscal year. A single QMCC may not receive total credits exceeding 15% of the total program appropriation for each fiscal year. QMCCs are limited to participating in the program for two years. The program has a cap each fiscal year and credits are awarded on a first-come, first-served basis.

#### Employer Security Clearance Costs Tax Credit

ESCC provides income tax credits for expenses related to federal security contracts. Businesses that incur qualified federal security clearance administrative expenses may qualify for a tax credit up to \$200,000. The business may qualify for a 50% tax credit up to \$200,000 for costs related to constructing or renovating a Sensitive Compartmented Information Facility (SCIF). For constructing multiple SCIFs, the credit is up to \$500,000. In addition, a qualified small business that performs security-based contracting in Maryland may be eligible for a state tax credit up to \$200,000 for the first year of rental payments for spaces leased in Maryland. The credits are capped at \$2 million for each calendar year.



If the amount of credits all businesses apply for exceeds the cap, each business receives its pro rata share. Businesses must submit an application to DBED by September 15 for expenses incurred in the previous tax year.

### **Enterprise Zone Tax Credit**

The Enterprise Zone program provides real property and state income tax credits for businesses located in a Maryland enterprise zone. The real property tax credit is 80% of the incremental increase in property taxes over the first five years, decreasing 10% annually during the next five years. The income tax credit is a \$1,000 credit per new employee. For economically disadvantaged employees, the credit increases to \$6,000 per new employee over three years. Enhanced credits for both property and income tax credits are available in Enterprise Zone Focus Areas.

### **Job Creation Tax Credit**

Businesses that create a minimum number of new full-time positions may be entitled to state income tax credits of up to \$1,000 per job or up to \$1,500 per job in a "revitalization area." Businesses engaged in an eligible activity must create at least 60 new full-time jobs in a 24-month period; this is reduced to 30 new full-time jobs if they are high wage jobs, and reduced to 25 new full-time jobs if they are located in a Job Creation Tax Credit Priority Funding Area.

### **One Maryland Tax Credit**

Businesses that invest in an economic development project in a "qualified distressed county" and create at least 25 new full-time jobs may qualify for up to \$5.5 million in state income tax credits. Project tax credits of up to \$5 million are based on qualifying costs incurred in connection with the acquisition, construction, rehabilitation and installation of a project. Start-up tax credits of up to \$500,000 are available for the expense of moving a business from outside Maryland and for the costs of furnishing and equipping the new location. The credit can be carried forward 14 years and is refundable, subject to certain limitations.

### **Research and Development Tax Credit**

For Maryland businesses that incur Maryland qualified research and development expenses, the Basic R&D tax credit is the lesser of 3% of eligible R&D expenses or 3% of the Maryland Base Amount. The Growth R&D tax credit is 10% of eligible R&D expenses in excess of the Maryland Base Amount. The credits are capped at \$4.5 million each annually. If the amount of credits all businesses apply for exceeds the cap, each business receives its pro rata share. R&D tax credits certified after December 15, 2012 are refundable for a "small business" if the tax credits exceed the income tax liability. Businesses must submit an application to DBED by September 15 for expenses incurred in the previous tax year.

### **Wineries and Vineyards Tax Credit**

Provides an income tax credit of 25% of qualified capital expenses made in connection with the establishment of new wineries or vineyards, or the capital improvements made to existing wineries or vineyards in Maryland. The credit to all businesses is limited to \$500,000 for each calendar year. If the amount that all businesses apply for exceeds this cap, the credit will be prorated. Businesses must submit an application to DBED by September 15 for expenses incurred in the previous tax year.

## **AMAZON.COM**

1,000 new full-time jobs



**Internet retailer Amazon.com plans to build a 1 million-square-foot fulfillment center in Southeast Baltimore creating more than 1,000 full-time jobs. Among the deciding factors for the new location were One Maryland tax credits valued at up to \$5.5 million and a \$1.2 million MEDAAF conditional loan.**

# Maryland Enterprise Zones by Region



## Greater Baltimore Region

- 1 **Baltimore City** (Focus Area)
- 2 **North Point** – Baltimore
- 3 **Southwest Baltimore County** – Baltimore
- 4 **Woodlawn** – Baltimore
- 5 **Edgewood/Harford** – Harford
- 6 **Aberdeen/Havre de Grace** – Harford

## Capital Region

- 7 **Long Branch Takoma Park** – Montgomery
- 8 **Wheaton** – Montgomery
- 9 **Olde Towne Gaithersburg** – Montgomery
- 10 **Glenmont** – Montgomery
- 11 **Prince George's** (Focus Area)

## Eastern Shore

- 12 **Cecil County** – Cecil
- 13 **Cambridge** – Dorchester
- 14 **Hurlock** – Dorchester

- 15 **Crisfield** – Somerset
- 16 **Princess Anne** – Somerset
- 17 **Fruitland** – Wicomico
- 18 **Salisbury** – Wicomico
- 19 **Berlin** – Worcester
- 20 **Pocomoke City** – Worcester
- 21 **Snow Hill** – Worcester

## Western Maryland

- 22 **Gateway** – Allegany
- 23 **Frostburg** – Allegany
- 24 **Route 220 South** – Allegany
- 25 **Keyzers Ridge** – Garrett
- 26 **Northern Garrett Industrial Park** – Garrett
- 27 **Southern Garrett Industrial Park** – Garrett
- 28 **Hagerstown** – Washington
- 29 **Town of Hancock** – Washington
- 30 **Washington County Airport** – Washington

Thirty Enterprise Zones are located throughout the state, and enhanced credits are available in two Focus Areas. Counties or municipalities are responsible for certifying a business as eligible for the tax credits.

## Maryland Department of Business & Economic Development

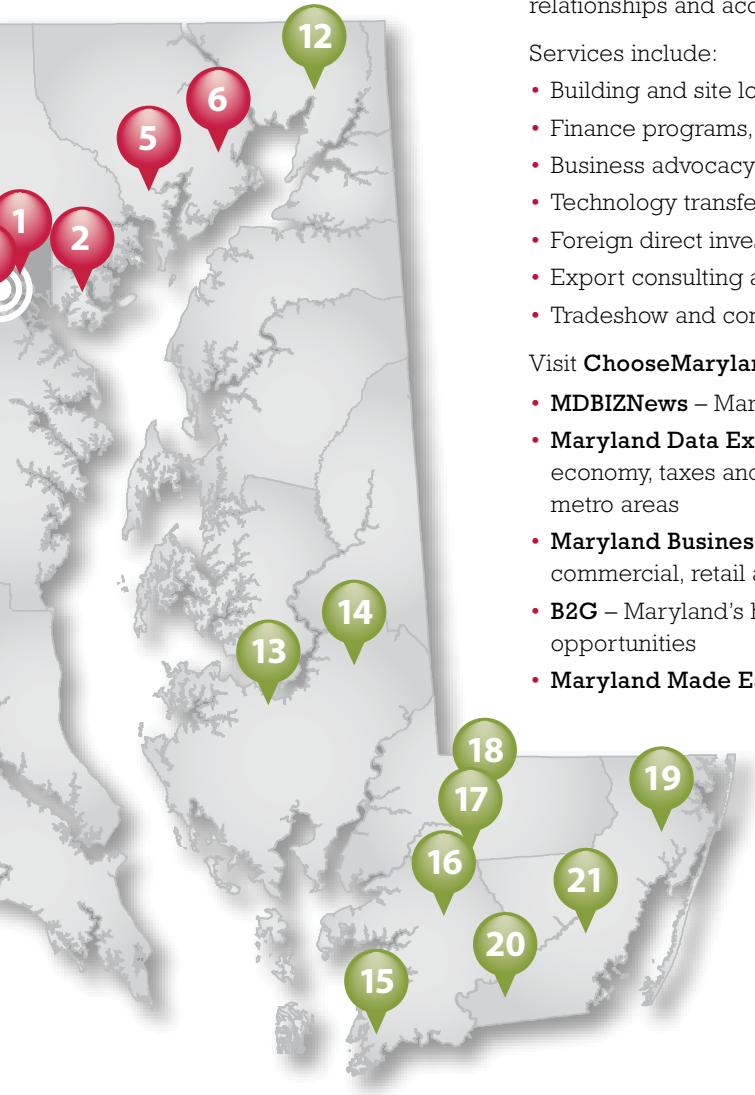
Looking to start, expand or relocate a business? Our staff helps businesses of all sizes and sectors leverage resources, forge relationships and access industry specialists.

Services include:

- Building and site location assistance
- Finance programs, tax credits and training grants
- Business advocacy and consulting
- Technology transfer
- Foreign direct investment
- Export consulting and marketing
- Tradeshow and conference partnership

Visit **ChooseMaryland.org** for:

- **MDBIZNews** – Maryland business news beyond the headlines
- **Maryland Data Explorer** – compare Maryland's education, economy, taxes and quality of life with other states, counties and metro areas
- **Maryland Business Properties** – an interactive resource of commercial, retail and industrial space
- **B2G** – Maryland's hub for business-to-government contracting opportunities
- **Maryland Made Easy** – online business registration



We can't tell you what the future holds but we can tell you where.  
Maryland. Land of Opportunity. Call DBED's Office of Finance Programs today.  
**877-821-0099. A Business Representative is ready to assist you.**

**MARYLAND OF OPPORTUNITY.®**

MARYLAND OF OPPORTUNITY.®

401 E. Pratt Street • The World Trade Center • Baltimore, MD 21202  
1.888.ChooseMD • [www.ChooseMaryland.org](http://www.ChooseMaryland.org)

Martin O'Malley, Governor • Anthony G. Brown, Lt. Governor  
Dominick E. Murray, Secretary